

Message Text

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PAGE 01 EC BRU 04416 161909Z

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ACTION EUR-12

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AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EFIN, EEC, ETRD

SUBJECT: EXPORT CREDIT GENTLEMEN'S AGREEMENT -- EC PLANS FOR
NEXT MEETING

REF: EC BRUSSELS 4312

1. SUMMARY: THE EC COMMISSION PLANS TO PRESS AHEAD WITH
BILATERAL CONSULTATIONS ON THE PROPOSED COMPROMISE TO LIMIT
OFFICIAL EXPORT CREDITS. THE EC TENTATIVELY IS PLANNING ON
A PRINCIPALS' MEETING IN WASHINGTON AT THE END OF JUNE BUT
THIS WILL DEPEND ON THE PROGRESS OF FORTHCOMING CONSULTATIONS.
END SUMMARY.

3. EC COMMISSION DIRECTOR FRIEDRICK KLEIN, WHO HANDLES
EXPORT CREDITS, SET FORTH THE EC'S PLANS TO PROCEED WITH
NEGOTIATIONS ON A GENTLEMEN'S AGREEMENT, THE COMMISSION
WILL FIRST CONSULT BILATERALLY AMONG THE NINE IN AN EFFORT
TO RESOLVE THE FRENCH RESERVATIONS TO THE FRG'S
COMPROMISE PROPOSAL (SEE REFTEL). KLEIN SAID THE
OTHER MEMBER STATES WERE NOT AWARE OF THE EXTENT
OF THE FRENCH OBJECTIONS UNTIL THE FRENCH DELEGATE
STATED HIS POSITION AT THE END OF THE LAST PRINCIPALS'
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PAGE 02 EC BRU 04416 161909Z

MEETING. THE COMMISSION PLANS TO SEEK CLARIFICATION

OF THIS POSITION.

3. THE EC EXPORT CREDIT WORKING GROUP WILL MEET IN MID-JUNE TO DEVELOP A JOINT POSITION ON THE COMPROMISE PROPOSAL. AFTER THIS MEETING, THE EC MAY SEND AN OFFICIAL TO WASHINGTON AND PERHAPS TOKYO TO DISCUSS THE COMPROMISE. IF THESE CONSULTATIONS INDICATE AN AGREEMENT CAN BE REACHED, THE EC WOULD BE PREPARED TO ATTEND ANOTHER PRINCIPALS' MEETING PROBABLY AT THE END OF JUNE IN WASHINGTON.

4. KLEIN BELIEVES THAT IN ORDER TO REACH AN AGREEMENT THE FRENCH AND THE US MUST COMPROMISE ON THEIR CURRENT POSITIONS. THE FRENCH DESIRE TO LIMIT EXPORT CREDIT MATURITIES HAS MERIT, KLEIN BELIEVES. IF THE US INSISTS ON EXCEPTIONS FOR SMALL AND LARGE SIZE PROJECTS, IT WILL HAVE TO DEFINE NARROWLY THE TYPE OF PROJECTS THAT WOULD BE EXEMPTED. THE EC'S PROCEDURE TO CONSULT AMONG MEMBER STATES ON OFFICIAL EXPORT CREDITS HAS DEMONSTRATED THAT CONSULTATION IS NOT SUFFICIENT TO PREVENT ABUSE OF AGREED UPON LIMITS. KLEIN BELIEVES THAT TO EXEMPT SMALL PROJECTS ON THE BASIS OF "NATIONAL INTEREST" NEEDS WOULD BE UNACCEPTABLE TO THE EC BECAUSE THIS EXEMPTION IS TOO BROAD.

5. ON THE OTHER HAND, KLEIN INDICATES THAT THE FRENCH POSITION IS UNTENABLE AND THE COMMISSION AND OTHER MEMBER STATES PLAN TO APPLY PRESSURE TO OBTAIN A COMPROMISE. AMONG THEM, THE FRENCH ARE ISOLATED ON HOLDING THE MINIMUM INTEREST RATE AT 7.5 PERCENT. THE FRENCH SHOULD ALSO AGREE TO AN ACCEPTABLE DEFINITION FOR "MIXED CREDITS".

6. KLEIN AGREES WITH THE US DELEGATION'S ASSESSMENT THAT THE FRG'S COMPROMISE PROPOSAL REPRESENTS THE MINIMUM ACCEPTABLE PACKAGE (SEE REFTEL). HE BELIEVES, HOWEVER, THAT SUCH A COMPROMISE IS A STEP FORWARD BECAUSE IT WOULD DEVELOP MUTUAL CONFIDENCE AND IMPROVE UNDERSTANDING OF THE PARTICIPANTS' EXPORT CREDIT SCHEMES. TO IMPLEMENT ANY AGREEMENT, THE PARTIES MUST ALSO LIMITED OFFICIAL USE

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PAGE 03 EC BRU 04416 161909Z

RESOLVE THEIR DIFFERENCES ON TECHNICAL DEFINITIONS. THESE DEFINITIONS ARE NEEDED TO AVOID MISUNDERSTANDINGS AFTER AN AGREEMENT IS REACHED.

7. COMMENT: OFFICIALS HERE BELIEVE LITTLE FURTHER PROGRESS CAN BE MADE ON AN EXPORT CREDIT AGREEMENT UNTIL AFTER THE BRITISH JUNE 5 REFERENDUM. THEY DO NOT CONSIDER THE LAST PRINCIPALS' MEETING TO BE A

FAILURE. THERE IS THE GENERAL REALIZATION THAT A
COMPREHENSIVE, STRINGENT AGREEMENT PROBABLY CANNOT BE
REACHED NOW, BUT A MODEST COMPROMISE APPEARS ATTAINABLE.
MOST OBSERVERS ARE ENCOURAGED BY THE FACT THAT THE US
WANTS TO PURSUE THE NEGOTIATIONS AND THE OUTSTANDING
ISSUES HAVE BEEN CLEARLY DEFINED AND NARROWED
DOWN. THEY DO NOT BELIEVE THE JAPANESE ARE A MAJOR
OBSTACLE. THE NUB OF THE DIFFERENCES RESTS BETWEEN
THE FRENCH AND THE US. END COMMENT. GREENWALD

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